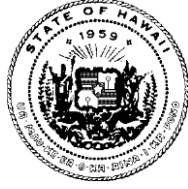


DAVID Y. IGE  
GOVERNOR



PANKAJ BHANOT  
DIRECTOR

BRIDGET HOLTHUS  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

March 17, 2017

TO: The Honorable Representative Dee Morikawa, Chair  
House Committee on Human Services

The Honorable Representative Della Au Belatti, Chair  
House Committee on Health

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 397 SD 1 Relating to the Hospital Sustainability Program**

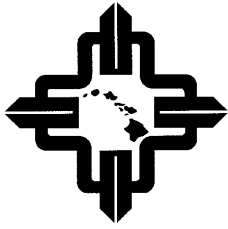
Hearing: March 17, 2017, 9:30 a.m.  
Conference Room 329, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) appreciates the opportunity to testify in support.

**PURPOSE:** The purpose of the bill is to preserve access to health care for Medicaid recipients by extending the hospital sustainability program; appropriates funds out of the Hospital Sustainability Program Special Fund for fiscal years 2017-2018 and 2018-2019. The Senate Committee on Ways and Means made amendments changing "statues" to "statutes."

This bill is nearly identical to the Administration's bill, SB 962, therefore, we express strong support for this bill. The hospital sustainability program has been operating for several years now, and thus, the one substantive change to prior years' Hospital Sustainability bills is the request to extend the program and exemptions from the applicable special fund fees for two years as opposed to one year.

Thank you for the opportunity to testify on this bill.



**HAWAII HEALTH SYSTEMS**  
C O R P O R A T I O N

*"Quality Healthcare For All"*

**House Committee on Human Services  
Representative Dee Morikawa, Chair  
Representative Chris Todd, Vice Chair**

March 17, 2017  
Conference Room 329  
9:30 a.m.  
Hawaii State Capitol

**Testimony Supporting Senate Bill 397, SD 1 Relating to the Hospital Sustainability Program**  
**Continues the hospital sustainability program for two years. Appropriates funds out of the hospital sustainability program special fund for fiscal year 2017-2018 and 2018-2019.**

Linda Rosen, M.D., M.P.H.  
Chief Executive Officer  
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in strong support of S.B. 397, SD 1 that continues the Hospital Sustainability Program.

Given that health care provider reimbursements are declining at both the federal and state level, it is imperative that health care providers find innovative ways to generate revenues to offset the decline in reimbursements. We believe that the concept of a provider fee on health care items or services provided by nursing facilities is a good financing mechanism that leverages federal funds to increase the reimbursements to hospitals from the MedQUEST programs.

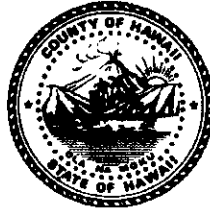
As is common in other states that have implemented sustainability fee programs, the public hospitals of the Hawaii Health Systems Corporation are being exempted from the hospital sustainability program. This is being done to maximize both the amount of federal funds that the private hospitals will receive through the hospital sustainability fee program and the amount of federal matching funds the public hospitals can receive under the MedQUEST program. As a matter of public policy, the public hospitals should be allowed to utilize their certified public expenditures to the maximum extent possible for their exclusive benefit as a means of continuing financing for their operating deficits. In this way, the greatest amount of federal funds may be realized and the private

Page 2  
March 17, 2017  
SB 397, SD 1

hospitals and the public hospitals as a whole will receive greater reimbursements than they are currently receiving.

Thank you for the opportunity to testify before this committee. We would respectfully recommend the Committee's support of this measure.

Harry Kim  
Mayor



Wil Okabe  
Managing Director

Barbara J. Kossow  
Deputy Managing Director

County of Hawai'i  
Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553  
KONA: 74-5044 Ane Keohokalole Hwy, Bldg. C • Kailua-Kona, Hawai'i 96740  
(808) 323-4444 • Fax (808) 323-4440

March 15, 2017

Representative Dee Morikawa, Chair  
Committee on Human Services  
Hawai'i State Capitol  
Honolulu, HI 96813

Representative Della Au Belatti, Chair  
Committee on Health  
Hawai'i State Capitol  
Honolulu, HI 96813

Dear Chairs Morikawa, Belatti, and Committee members:

**RE: SB 397, SD 1  
Relating to the Hospital Sustainability Program**

Although healthcare is generally thought to be a "State" rather than a "County" issue, I have never seen it that way. In fact, in my first terms as Mayor, I declared healthcare to be a critical issue for Hawaii County, because it was clear that we had a worsening physician shortage and that healthcare on the neighbor islands was in a perilous position.

Unfortunately, eight years later, and despite ongoing community efforts, the crisis continues.

Our hospitals provide the safety net that is so vital to neighbor islands where the provider shortage is most acute. With our relatively low-income population, Hawaii County residents are often reliant on Medicaid

Please act favorably of SB 397, SD1.

Respectfully submitted,

Handwritten signature of Harry Kim in black ink.  
Harry Kim  
Mayor



## THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Dee Morikawa, Chair  
The Honorable Chris Todd, Vice Chair  
Members, Committee on Human Services

The Honorable Della Au Belatti, Chair  
The Honorable Bertrand Kobayashi, Vice Chair  
Members, Committee on Health

From:  Paula Yoshioka, Senior Vice President, The Queen's Health Systems

Date: March 14, 2017

Hrg: House Committees on Human Services and Health Joint Hearing; Friday, March 17, 2017  
at 9:30AM in Room 329

Re: **Support for SB 397, SD1, Relating to the Hospital Sustainability Program**

My name is Paula Yoshioka, and I am a Senior Vice President at The Queen's Health Systems (QHS). QHS would like to express our **strong support** for SB 397, SD1, Relating to Hospital Sustainability Program. This bill continues the Hospital Sustainability Program for two years. It also appropriates funds out of the Hospital Sustainability Program Special Fund for fiscal years 2017-2018 and 2018-2019.

For several years, hospitals have faced declining federal payments for providing uncompensated care to high need populations. The Hospital Sustainability Program assists hospitals in mitigating the losses for providing critical health care services. The program does so by issuing a fee to hospital providers in the state of Hawaii, including QHS. The funds generated by this fee are used by the state to obtain matching federal Medicaid funds, which are reallocated back to private hospitals.

In FY 2015, QHS provided community benefits of \$101.5 million for care and other community need programs that are unfunded or underfunded. Of that \$101.5 million, \$54.2 million or 53 percent, is our Medicaid Reimbursement Shortfall. The Hospital Sustainability Program helps QHS offset a portion of these costs.

We ask that you support this legislation and the continuation of the Hospital Sustainability Program.

Thank you for your time and attention to this important issue.

*The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.*



**March 17, 2017 at 9:30 AM**  
**Conference Room 329**

**House Committee on Human Services**  
**House Committee on Health**

To: Chair Dee Morikawa  
Vice Chair Chris Todd

Chair Della Au Belatti  
Vice Chair Bertrand Kobayashi

From: Dee Robinson  
Administrator  
One Kalakaua Senior Living

**Re: Testimony in Support**  
**SB 397 SD 1, Relating to the Hospital Sustainability Program**

I would like to thank the committees for the opportunity to testify in **strong support** SB 397 SD 1. This very important legislation would amend and extend the Hospital Sustainability Program, which has helped Hawaii hospitals offset some of the losses they incur taking care of some of the most underserved in our state. I understand that the Healthcare Association of Hawaii (HAH) has proposed legislation that would codify the program for fiscal years 2018 and 2019, and make other adjustments to the program as necessary. This legislation would authorize the program for two years. (Previously, the program was authorized annually.) This change is supported by HAH's membership.

Recognizing that Medicaid payments to hospitals were far below the actual costs of care, the Legislature created the Hospital Sustainability Program in 2012. This program improves Medicaid payments to hospitals by assessing a fee on hospitals based on their patient revenue. The funds generated by those fees are then used to obtain additional federal Medicaid funds, which are deposited in a special fund and distributed back to private hospitals. Payment back to facilities is based on the amount of a hospital's uncompensated care, which includes the costs incurred by hospitals serving under and uninsured patients. Importantly, no state funds are contributed to the Hospital Sustainability Program—in fact, the state is able to use a portion of the fees to support Medicaid activities.

Because of this program, Medicaid payments are now closer to the actual costs of care, thereby reducing losses and improving the financial stability of our health care system however, even with this program, hospitals continue to experience shortfalls.

Thank you for the opportunity to **support** SB 397 SD 1.



Chamber of Commerce HAWAII  
*The Voice of Business*

**Testimony to the House Committee on Human Services and  
the House Committee on Health  
Friday, May 17, 2017 at 9:30 A.M.  
Conference Room 329, State Capitol**

**RE: SENATE BILL 397 SD1 RELATING TO  
THE HOSPITAL SUSTAINABILITY PROGRAM**

Chairs Morikawa and Belatti, Vice Chairs Todd and Kobayashi, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 397 SD1, which extends the Hospital Sustainability Program for two years; appropriates funds out of the Hospital Sustainability Program Special Fund for fiscal years 2017-2018 and 2018-2019.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill helps the state and Hawaii hospitals utilize this program to leverage much needed federal dollars. A sustainable hospital network and health care industry is vital to the health of our employees, business, and our overall quality of life.

Thank you for the opportunity to testify.



**March 17, 2017 at 9:30 AM**  
**Conference Room 329**

**House Committee on Human Services**  
**House Committee on Health**

To: Chair Dee Morikawa  
Vice Chair Chris Todd

Chair Della Au Belatti  
Vice Chair Bertrand Kobayashi

From: Paige Heckathorn  
Senior Manager, Legislative Affairs  
Healthcare Association of Hawaii

**Re: Testimony in Support**  
**SB 397 SD 1, Relating to the Hospital Sustainability Program**

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 160 member organizations who represent almost every aspect of the health care continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

The Healthcare Association of Hawaii would like to thank the committees for the opportunity to **support SB 397 SD 1**. This legislation would amend and extend the Hospital Sustainability Program, which has helped Hawaii hospitals offset some of the losses they incur taking care of the most underserved in our state. This measure would codify the program for fiscal years 2018 and 2019, and make other adjustments to the program as necessary. Notably, this legislation authorizes the program for two years. (Previously, the program was authorized annually.) This change is supported by HAH members and our partners at the Department of Human Services.

Recognizing that Medicaid payments to hospitals were far below the actual costs of care, the Legislature created the Hospital Sustainability Program in 2012. This program improves Medicaid payments to hospitals by assessing a fee on hospitals based on their patient revenue. The funds generated by those fees are then used to obtain additional federal Medicaid funds, which are deposited in a special fund and distributed back to private hospitals. Payment back to facilities is based on the amount of a hospital's uncompensated care, which includes the costs incurred by hospitals serving under- and uninsured patients. Importantly, no state funds are contributed to the Hospital Sustainability Program.

Because of this program, Medicaid payments are now closer to the actual costs of care, thereby reducing losses and improving the financial stability of our health care system. Even with this program, however,



hospitals continue to experience shortfalls, with data from the latest year available (2013) showing \$76 million in uncompensated losses. We humbly request that the State Legislature continue its support of this program. Thank you for your time and consideration of this measure.



March 17, 2017/9:30 a.m.  
Conference Room 329

**House Committee on Human Services**  
**House Committee on Health**

To: Representative Dee Morikawa, Chair  
Representative Chris Todd, Vice Chair

From: Michael Robinson  
Vice President – Government Relations & Community Affairs

Re: **SB 397 SD1 – Testimony in Support**

---

My name is Michael Robinson, Vice President, Government Relations and Community Affairs at Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a not-for-profit health care system with over 70 locations statewide including medical centers, clinics, physicians and other caregivers serving Hawai'i and the Pacific Region with high quality, compassionate care. Its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox – specialize in innovative programs in women's health, pediatric care, cardiovascular services, cancer care, bone and joint services and more. Hawai'i Pacific Health is recognized nationally for its excellence in patient care and the use of electronic health records to improve quality and patient safety.

I am writing in support of SB 397 SD1 which provides funding to continue the Hospital Sustainability Program for the fiscal years 2017-2018 and 2018-2019.

Hospitals are the cornerstone of health care delivery in Hawai'i, yet they face major financial challenges in providing health care for Hawai'i's residents. These challenges are largely a result of insufficient payments from the Medicaid program that do not cover the actual costs of care.

As the financial viability of hospitals is threatened, the constrained options and availability of health care facilities result in waitlisted patients and care settings that are inappropriate for patient's health care needs.

The continuation of the Hospital Sustainability Program through SB 397 SD1 will help to preserve and enhance access to health care for Medicaid recipients in Hawai'i.

Thank you for the opportunity to testify.